

AMENDED IN ASSEMBLY JUNE 4, 2003

AMENDED IN SENATE APRIL 24, 2003

SENATE BILL

No. 283

Introduced by Senator Sher

February 18, 2003

An act to amend Sections 9102, 9304, 9309, 9321, 9408, and 9521 of the Commercial Code, to amend Section 12194 of the Government Code, and to amend Section 5907 of the Vehicle Code, relating to commercial law.

LEGISLATIVE COUNSEL'S DIGEST

SB 283, as amended, Sher. Commercial law: secured transactions.

Existing provisions of the Commercial Code govern security interests in personal property and fixtures, as well as certain sales of accounts, contract rights, and chattel paper, and specifies when those security interests are perfected.

This bill would revise various definitions relative to secured transactions and would provide that the sale by an individual of an account that is a right to payment of winnings in a lottery or other game of chance is a security interest that is perfected when it attaches. The bill would make other related changes.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 9102 of the Commercial Code is
2 amended to read:

1 9102. (a) In this division:

2 (1) “Accession” means goods that are physically united with
3 other goods in such a manner that the identity of the original goods
4 is not lost.

5 (2) “Account,” except as used in “account for,” means a right
6 to payment of a monetary obligation, whether or not earned by
7 performance, (i) for property that has been or is to be sold, leased,
8 licensed, assigned, or otherwise disposed of, (ii) for services
9 rendered or to be rendered, (iii) for a policy of insurance issued or
10 to be issued, (iv) for a secondary obligation incurred or to be
11 incurred, (v) for energy provided or to be provided, (vi) for the use
12 or hire of a vessel under a charter or other contract, (vii) arising out
13 of the use of a credit or charge card or information contained on
14 or for use with the card, or (viii) as winnings in a lottery or other
15 game of chance operated or sponsored by a state, governmental
16 unit of a state, or person licensed or authorized to operate the game
17 by a state or governmental unit of a state. The term includes health
18 care insurance receivables. The term does not include (i) rights to
19 payment evidenced by chattel paper or an instrument, (ii)
20 commercial tort claims, (iii) deposit accounts, (iv) investment
21 property, (v) letter-of-credit rights or letters of credit, or (vi) rights
22 to payment for money or funds advanced or sold, other than rights
23 arising out of the use of a credit or charge card or information
24 contained on or for use with the card.

25 (3) “Account debtor” means a person obligated on an account,
26 chattel paper, or general intangible. The term does not include
27 persons obligated to pay a negotiable instrument, even if the
28 instrument constitutes part of chattel paper.

29 (4) “Accounting,” except as used in “accounting for,” means
30 a record that is all of the following:

31 (A) Authenticated by a secured party.

32 (B) Indicating the aggregate unpaid secured obligations as of
33 a date not more than 35 days earlier or 35 days later than the date
34 of the record.

35 (C) Identifying the components of the obligations in reasonable
36 detail.

37 (5) “Agricultural lien” means an interest in farm products that
38 meets all of the following conditions:

39 (A) It secures payment or performance of an obligation for
40 either of the following:



1 (i) Goods or services furnished in connection with a debtor's
2 farming operation.

3 (ii) Rent on real property leased by a debtor in connection with
4 its farming operation.

5 (B) It is created by statute in favor of a person that does either
6 of the following:

7 (i) In the ordinary course of its business furnished goods or
8 services to a debtor in connection with a debtor's farming
9 operation.

10 (ii) Leased real property to a debtor in connection with the
11 debtor's farming operation.

12 (C) Its effectiveness does not depend on the person's
13 possession of the personal property.

14 (6) "As-extracted collateral" means either of the following:

15 (A) Oil, gas, or other minerals that are subject to a security
16 interest that does both of the following:

17 (i) Is created by a debtor having an interest in the minerals
18 before extraction.

19 (ii) Attaches to the minerals as extracted.

20 (B) Accounts arising out of the sale at the wellhead or
21 minehead of oil, gas, or other minerals in which the debtor had an
22 interest before extraction.

23 (7) "Authenticate" means to do either of the following:

24 (A) To sign.

25 (B) To execute or otherwise adopt a symbol, or encrypt or
26 similarly process a record in whole or in part, with the present
27 intent of the authenticating person to identify the person and adopt
28 or accept a record.

29 (8) "Bank" means an organization that is engaged in the
30 business of banking. The term includes savings banks, savings and
31 loan associations, credit unions, and trust companies.

32 (9) "Cash proceeds" means proceeds that are money, checks,
33 deposit accounts, or the like.

34 (10) "Certificate of title" means a certificate of title with
35 respect to which a statute provides for the security interest in
36 question to be indicated on the certificate as a condition or result
37 of the security interest's obtaining priority over the rights of a lien
38 creditor with respect to the collateral.

39 (11) "Chattel paper" means a record or records that evidence
40 both a monetary obligation and a security interest in specific

1 goods, a security interest in specific goods and software used in the
2 goods, a security interest in specific goods and license of software
3 used in the goods, a lease of specific goods, or a lease of specific
4 goods and license of software used in the goods. In this paragraph,
5 “monetary obligation” means a monetary obligation secured by
6 the goods or owed under a lease of the goods and includes a
7 monetary obligation with respect to software used in the goods.
8 The term does not include (i) charters or other contracts involving
9 the use or hire of a vessel or (ii) records that evidence a right to
10 payment arising out of the use of a credit or charge card or
11 information contained on or for use with the card. If a transaction
12 is evidenced by records that include an instrument or series of
13 instruments, the group of records taken together constitutes chattel
14 paper.

15 (12) “Collateral” means the property subject to a security
16 interest or agricultural lien. The term includes all of the following:

17 (A) Proceeds to which a security interest attaches.

18 (B) Accounts, chattel paper, payment intangibles, and
19 promissory notes that have been sold.

20 (C) Goods that are the subject of a consignment.

21 (13) “Commercial tort claim” means a claim arising in tort
22 with respect to which either of the following conditions is
23 satisfied:

24 (A) The claimant is an organization.

25 (B) The claimant is an individual and both of the following
26 conditions are satisfied regarding the claim:

27 (i) It arose in the course of the claimant’s business or
28 profession.

29 (ii) It does not include damages arising out of personal injury
30 to or the death of an individual.

31 (14) “Commodity account” means an account maintained by
32 a commodity intermediary in which a commodity contract is
33 carried for a commodity customer.

34 (15) “Commodity contract” means a commodity futures
35 contract, an option on a commodity futures contract, a commodity
36 option, or another contract if the contract or option is either of the
37 following:

38 (A) Traded on or subject to the rules of a board of trade that has
39 been designated as a contract market for such a contract pursuant
40 to federal commodities laws.



1 (B) Traded on a foreign commodity board of trade, exchange,
2 or market, and is carried on the books of a commodity
3 intermediary for a commodity customer.

4 (16) “Commodity customer” means a person for which a
5 commodity intermediary carries a commodity contract on its
6 books.

7 (17) “Commodity intermediary” means a person that is either
8 of the following:

9 (A) Is registered as a futures commission merchant under
10 federal commodities law.

11 (B) In the ordinary course of its business provides clearance or
12 settlement services for a board of trade that has been designated as
13 a contract market pursuant to federal commodities law.

14 (18) “Communicate” means to do any of the following:

15 (A) To send a written or other tangible record.

16 (B) To transmit a record by any means agreed upon by the
17 persons sending and receiving the record.

18 (C) In the case of transmission of a record to or by a filing
19 office, to transmit a record by any means prescribed by
20 filing-office rule.

21 (19) “Consignee” means a merchant to which goods are
22 delivered in a consignment.

23 (20) “Consignment” means a transaction, regardless of its
24 form, in which a person delivers goods to a merchant for the
25 purpose of sale and all of the following conditions are satisfied:

26 (A) The merchant satisfies all of the following conditions:

27 (i) He or she deals in goods of that kind under a name other than
28 the name of the person making delivery.

29 (ii) He or she is not an auctioneer.

30 (iii) He or she is not generally known by its creditors to be
31 substantially engaged in selling the goods of others.

32 (B) With respect to each delivery, the aggregate value of the
33 goods is one thousand dollars (\$1,000) or more at the time of
34 delivery.

35 (C) The goods are not consumer goods immediately before
36 delivery.

37 (D) The transaction does not create a security interest that
38 secures an obligation.

39 (21) “Consignor” means a person that delivers goods to a
40 consignee in a consignment.

1 (22) “Consumer debtor” means a debtor in a consumer
2 transaction.

3 (23) “Consumer goods” means goods that are used or bought
4 for use primarily for personal, family, or household purposes.

5 (24) “Consumer-goods transaction” means a consumer
6 transaction in which both of the following conditions are satisfied:

7 (A) An individual incurs an obligation primarily for personal,
8 family, or household purposes.

9 (B) A security interest in consumer goods secures the
10 obligation.

11 (25) “Consumer obligor” means an obligor who is an
12 individual and who incurred the obligation as part of a transaction
13 entered into primarily for personal, family, or household purposes.

14 (26) “Consumer transaction” means a transaction in which (i)
15 an individual incurs an obligation primarily for personal, family,
16 or household purposes, (ii) a security interest secures the
17 obligation, and (iii) the collateral is held or acquired primarily for
18 personal, family, or household purposes. The term includes
19 consumer-goods transactions.

20 (27) “Continuation statement” means an amendment of a
21 financing statement which does both of the following:

22 (A) Identifies, by its file number, the initial financing statement
23 to which it relates.

24 (B) Indicates that it is a continuation statement for, or that it is
25 filed to continue the effectiveness of, the identified financing
26 statement.

27 (28) “Debtor” means any of the following:

28 (A) A person having an interest, other than a security interest
29 or other lien, in the collateral, whether or not the person is an
30 obligor.

31 (B) A seller of accounts, chattel paper, payment intangibles, or
32 promissory notes.

33 (C) A consignee.

34 (29) “Deposit account” means a demand, time, savings,
35 passbook, or similar account maintained with a bank. The term
36 does not include investment property or accounts evidenced by an
37 instrument.

38 (30) “Document” means a document of title or a receipt of the
39 type described in subdivision (2) of Section 7201.



(31) “Electronic chattel paper” means chattel paper evidenced by a record or records consisting of information stored in an electronic medium.

(32) “Encumbrance” means a right, other than an ownership interest, in real property. The term includes mortgages and other liens on real property.

(33) “Equipment” means goods other than inventory, farm products, or consumer goods.

(34) “Farm products” means goods, other than standing timber, with respect to which the debtor is engaged in a farming operation and which are any of the following:

(A) Crops grown, growing, or to be grown, including both of the following:

(i) Crops produced on trees, vines, and bushes.

(ii) Aquatic goods produced in aquacultural operations.

(B) Livestock, born or unborn, including aquatic goods produced in aquacultural operations.

(C) Supplies used or produced in a farming operation.

(D) Products of crops or livestock in their unmanufactured states.

(35) “Farming operation” means raising, cultivating, propagating, fattening, grazing, or any other farming, livestock, or aquacultural operation.

(36) “File number” means the number assigned to an initial financing statement pursuant to subdivision (a) of Section 9519.

(37) “Filing office” means an office designated in Section 9501 as the place to file a financing statement.

(38) “Filing-office rule” means a rule adopted pursuant to Section 9526.

(39) “Financing statement” means a record or records composed of an initial financing statement and any filed record relating to the initial financing statement.

(40) “Fixture filing” means the filing of a financing statement covering goods that are or are to become fixtures and satisfying subdivisions (a) and (b) of Section 9502. The term includes the filing of a financing statement covering goods of a transmitting utility which are or are to become fixtures.

(41) “Fixtures” means goods that have become so related to particular real property that an interest in them arises under real property law.

(42) “General intangible” means any personal property, including things in action, other than accounts, chattel paper, commercial tort claims, deposit accounts, documents, goods, instruments, investment property, letter-of-credit rights, letters of credit, money, and oil, gas, or other minerals before extraction. The term includes payment intangibles and software.

(43) “Good faith” means honesty in fact and the observance of reasonable commercial standards of fair dealing.

(44) “Goods” means all things that are movable when a security interest attaches. The term includes (i) fixtures, (ii) standing timber that is to be cut and removed under a conveyance or contract for sale, (iii) the unborn young of animals, (iv) crops grown, growing, or to be grown, even if the crops are produced on trees, vines, or bushes, and (v) manufactured homes. The term also includes a computer program embedded in goods and any supporting information provided in connection with a transaction relating to the program if (i) the program is associated with the goods in such a manner that it customarily is considered part of the goods, or (ii) by becoming the owner of the goods, a person acquires a right to use the program in connection with the goods. The term does not include a computer program embedded in goods that consist solely of the medium in which the program is embedded. The term also does not include accounts, chattel paper, commercial tort claims, deposit accounts, documents, general intangibles, instruments, investment property, letter-of-credit rights, letters of credit, money, or oil, gas, or other minerals before extraction.

(45) “Governmental unit” means a subdivision, agency, department, county, parish, municipality, or other unit of the government of the United States, a state, or a foreign country. The term includes an organization having a separate corporate existence if the organization is eligible to issue debt on which interest is exempt from income taxation under the laws of the United States.

(46) “Health care insurance receivable” means an interest in or claim under a policy of insurance which is a right to payment of a monetary obligation for health care goods or services provided or to be provided.

(47) “Instrument” means a negotiable instrument or any other writing that evidences a right to the payment of a monetary

obligation, is not itself a security agreement or lease, and is of a type that in ordinary course of business is transferred by delivery with any necessary indorsement or assignment. The term does not include (i) investment property, (ii) letters of credit, or (iii) writings that evidence a right to payment arising out of the use of a credit or charge card or information contained on or for use with the card.

(48) “Inventory” means goods, other than farm products, which are any of the following:

(A) Leased by a person as lessor.

(B) Held by a person for sale or lease or to be furnished under a contract of service.

(C) Furnished by a person under a contract of service.

(D) Consist of raw materials, work in process, or materials used or consumed in a business.

(49) “Investment property” means a security, whether certificated or uncertificated, security entitlement, securities account, commodity contract, or commodity account.

(50) “Jurisdiction of organization,” with respect to a registered organization, means the jurisdiction under whose law the organization is organized.

(51) “Letter-of-credit right” means a right to payment or performance under a letter of credit, whether or not the beneficiary has demanded or is at the time entitled to demand payment or performance. The term does not include the right of a beneficiary to demand payment or performance under a letter of credit.

(52) (A) “Lien creditor” means any of the following:

(i) A creditor that has acquired a lien on the property involved by attachment, levy, or the like.

(ii) An assignee for benefit of creditors from the time of assignment.

(iii) A trustee in bankruptcy from the date of the filing of the petition.

(iv) A receiver in equity from the time of appointment.

(B) “Lien creditor” does not include a creditor who by filing a notice with the Secretary of State has acquired only an attachment or judgment lien on personal property, or both.

(53) “Manufactured home” means a structure, transportable in one or more sections, which, in the traveling mode, is eight body-feet or more in width or 40 body-feet or more in length, or,

1 when erected on site, is 320 or more square feet, and which is built
2 on a permanent chassis and designed to be used as a dwelling with
3 or without a permanent foundation when connected to the required
4 utilities, and includes the plumbing, heating, air-conditioning, and
5 electrical systems contained therein. The term includes any
6 structure that meets all of the requirements of this paragraph
7 except the size requirements and with respect to which the
8 manufacturer voluntarily files a certification required by the
9 United States Secretary of Housing and Urban Development and
10 complies with the standards established under Title 42 of the
11 United States Code.

12 (54) “Manufactured home transaction” means a secured
13 transaction that satisfies either of the following:

14 (A) It creates a purchase money security interest in a
15 manufactured home, other than a manufactured home held as
16 inventory.

17 (B) It is a secured transaction in which a manufactured home,
18 other than a manufactured home held as inventory, is the primary
19 collateral.

20 (55) “Mortgage” means a consensual interest in real property,
21 including fixtures, which secures payment or performance of an
22 obligation.

23 (56) “New debtor” means a person that becomes bound as
24 debtor under subdivision (d) of Section 9203 by a security
25 agreement previously entered into by another person.

26 (57) “New value” means (i) money, (ii) money’s worth in
27 property, services, or new credit, or (iii) release by a transferee of
28 an interest in property previously transferred to the transferee. The
29 term does not include an obligation substituted for another
30 obligation.

31 (58) “Noncash proceeds” means proceeds other than cash
32 proceeds.

33 (59) “Obligor” means a person that, with respect to an
34 obligation secured by a security interest in or an agricultural lien
35 on the collateral, (i) owes payment or other performance of the
36 obligation, (ii) has provided property other than the collateral to
37 secure payment or other performance of the obligation, or (iii) is
38 otherwise accountable in whole or in part for payment or other
39 performance of the obligation. The term does not include issuers
40 or nominated persons under a letter of credit.

(60) “Original debtor,” except as used in subdivision (c) of Section 9310, means a person that, as debtor, entered into a security agreement to which a new debtor has become bound under subdivision (d) of Section 9203.

(61) “Payment intangible” means a general intangible under which the account debtor’s principal obligation is a monetary obligation.

(62) “Person related to,” with respect to an individual, means any of the following:

(A) The spouse of the individual.

(B) A brother, brother-in-law, sister, or sister-in-law of the individual.

(C) An ancestor or lineal descendant of the individual or the individual’s spouse.

(D) Any other relative, by blood or marriage, of the individual or the individual’s spouse who shares the same home with the individual.

(63) “Person related to,” with respect to an organization, means any of the following:

(A) A person directly or indirectly controlling, controlled by, or under common control with the organization.

(B) An officer or director of, or a person performing similar functions with respect to, the organization.

(C) An officer or director of, or a person performing similar functions with respect to, a person described in subparagraph (A).

(D) The spouse of an individual described in subparagraph (A), (B), or (C).

(E) An individual who is related by blood or marriage to an individual described in subparagraph (A), (B), (C), or (D) and shares the same home with the individual.

(64) “Proceeds,” except as used in subdivision (b) of Section 9609, means any of the following property:

(A) Whatever is acquired upon the sale, lease, license, exchange, or other disposition of collateral.

(B) Whatever is collected on, or distributed on account of, collateral.

(C) Rights arising out of collateral.

(D) To the extent of the value of collateral, claims arising out of the loss, nonconformity, or interference with the use of, defects or infringement of rights in, or damage to, the collateral.

(E) To the extent of the value of collateral and to the extent payable to the debtor or the secured party, insurance payable by reason of the loss or nonconformity of, defects or infringement of rights in, or damage to, the collateral.

(65) “Promissory note” means an instrument that evidences a promise to pay a monetary obligation, does not evidence an order to pay, and does not contain an acknowledgment by a bank that the bank has received for deposit a sum of money or funds.

(66) “Proposal” means a record authenticated by a secured party that includes the terms on which the secured party is willing to accept collateral in full or partial satisfaction of the obligation it secures pursuant to Sections 9620, 9621, and 9622.

(67) “Public finance transaction” means a secured transaction in connection with which all of the following conditions are satisfied:

(A) Debt securities are issued.

(B) All or a portion of the securities issued have an initial stated maturity of at least 20 years.

(C) The debtor, obligor, secured party, account debtor or other person obligated on collateral, assignor or assignee of a secured obligation, or assignor or assignee of a security interest is a state or a governmental unit of a state.

(68) “Pursuant to commitment,” with respect to an advance made or other value given by a secured party, means pursuant to the secured party’s obligation, whether or not a subsequent event of default or other event not within the secured party’s control has relieved or may relieve the secured party from its obligation.

(69) “Record,” except as used in “for record,” “of record,” “record or legal title,” and “record owner,” means information that is inscribed on a tangible medium or which is stored in an electronic or other medium and is retrievable in perceivable form.

(70) “Registered organization” means an organization organized solely under the law of a single state or the United States and as to which the state or the United States must maintain a public record showing the organization to have been organized.

(71) “Secondary obligor” means an obligor to the extent that either of the following conditions are satisfied:

(A) The obligor’s obligation is secondary.

1 (B) The obligor has a right of recourse with respect to an
2 obligation secured by collateral against the debtor, another
3 obligor, or property of either.

4 (72) “Secured party” means any of the following:

5 (A) A person in whose favor a security interest is created or
6 provided for under a security agreement, whether or not any
7 obligation to be secured is outstanding.

8 (B) A person that holds an agricultural lien.

9 (C) A consignor.

10 (D) A person to which accounts, chattel paper, payment
11 intangibles, or promissory notes have been sold.

12 (E) A trustee, indenture trustee, agent, collateral agent, or other
13 representative in whose favor a security interest or agricultural lien
14 is created or provided for.

15 (F) A person that holds a security interest arising under Section
16 2401, 2505, 4210, or 5118, or under subdivision (3) of Section
17 2711 or subdivision (5) of Section 10508.

18 (73) “Security agreement” means an agreement that creates or
19 provides for a security interest.

20 (74) “Send,” in connection with a record or notification,
21 means to do either of the following:

22 (A) To deposit in the mail, deliver for transmission, or transmit
23 by any other usual means of communication, with postage or cost
24 of transmission provided for, addressed to any address reasonable
25 under the circumstances.

26 (B) To cause the record or notification to be received within the
27 time that it would have been received if properly sent under
28 subparagraph (A).

29 (75) “Software” means a computer program and any
30 supporting information provided in connection with a transaction
31 relating to the program. The term does not include a computer
32 program that is included in the definition of goods.

33 (76) “State” means a state of the United States, the District of
34 Columbia, Puerto Rico, the United States Virgin Islands, or any
35 territory or insular possession subject to the jurisdiction of the
36 United States.

37 (77) “Supporting obligation” means a letter-of-credit right or
38 secondary obligation that supports the payment or performance of
39 an account, chattel paper, document, general intangible,
40 instrument, or investment property.

1 (78) “Tangible chattel paper” means chattel paper evidenced
 2 by a record or records consisting of information that is inscribed
 3 on a tangible medium.

4 (79) “Termination statement” means an amendment of a
 5 financing statement that does both of the following:

6 (A) Identifies, by its file number, the initial financing statement
 7 to which it relates.

8 (B) Indicates either that it is a termination statement or that the
 9 identified financing statement is no longer effective.

10 (80) “Transmitting utility” means a person primarily engaged
 11 in the business of any of the following:

12 (A) Operating a railroad, subway, street railway, or trolley bus.

13 (B) Transmitting communications electrically,
 14 electromagnetically, or by light.

15 (C) Transmitting goods by pipeline or sewer.

16 (D) Transmitting or producing and transmitting electricity,
 17 steam, gas, or water.

18 (b) The following definitions in other divisions apply to this
 19 division:

20
 21 “Applicant” Section 5102.

22 “Beneficiary” Section 5102.

23 “Broker” Section 8102.

24 “Certificated security” Section 8102.

25 “Check” Section 3104.

26 “Clearing corporation” Section 8102.

27 “Contract for sale” Section 2106.

28 “Customer” Section 4104.

29 “Entitlement holder” Section 8102.

30 “Financial asset” Section 8102.

31 “Holder in due course” Section 3302.

32 “Issuer” (with respect to a letter of credit or
 33 letter-of-credit right) Section 5102.

34 “Issuer” (with respect to a security) Section 8201.

35 “Lease” Section 10103.

36 “Lease agreement” Section 10103.

37 “Lease contract” Section 10103.

38 “Leasehold interest” Section 10103.

39 “Lessee” Section 10103.

40 “Lessee in ordinary course of business” Section 10103.

1	“Lessor”	Section 10103.
2	“Lessor’s residual interest”	Section 10103.
3	“Letter of credit”	Section 5102.
4	“Merchant”	Section 2104.
5	“Negotiable instrument”	Section 3104.
6	“Nominated person”	Section 5102.
7	“Note”	Section 3104.
8	“Proceeds of a letter of credit”	Section 5114.
9	“Prove”	Section 3103.
10	“Sale”	Section 2106.
11	“Securities account”	Section 8501.
12	“Securities intermediary”	Section 8102.
13	“Security”	Section 8102.
14	“Security certificate”	Section 8102.
15	“Security entitlement”	Section 8102.
16	“Uncertificated security”	Section 8102.

17

18 (c) Division 1 (commencing with Section 1101) contains
 19 general definitions and principles of construction and
 20 interpretation applicable throughout this division.

21 SEC. 2. Section 9304 of the Commercial Code is amended to
 22 read:

23 9304. (a) The local law of a bank’s jurisdiction governs
 24 perfection, the effect of perfection or nonperfection, and the
 25 priority of a security interest in a deposit account maintained with
 26 that bank.

27 (b) The following rules determine a bank’s jurisdiction for
 28 purposes of this chapter:

29 (1) If an agreement between the bank and its customer
 30 governing the deposit account expressly provides that a particular
 31 jurisdiction is the bank’s jurisdiction for purposes of this chapter,
 32 this division, or this code, that jurisdiction is the bank’s
 33 jurisdiction.

34 (2) If paragraph (1) does not apply and an agreement between
 35 the bank and its customer governing the deposit account expressly
 36 provides that the agreement is governed by the law of a particular
 37 jurisdiction, that jurisdiction is the bank’s jurisdiction.

38 (3) If neither paragraph (1) nor paragraph (2) applies and an
 39 agreement between the bank and its customer governing the
 40 deposit account expressly provides that the deposit account is



1 maintained at an office in a particular jurisdiction, that jurisdiction
2 is the bank's jurisdiction.

3 (4) If none of the preceding paragraphs applies, the bank's
4 jurisdiction is the jurisdiction in which the office identified in an
5 account statement as the office serving the customer's account is
6 located.

7 (5) If none of the preceding paragraphs applies, the bank's
8 jurisdiction is the jurisdiction in which the chief executive office
9 of the bank is located.

10 SEC. 3. Section 9309 of the Commercial Code is amended to
11 read:

12 9309. The following security interests are perfected when
13 they attach:

14 (1) A purchase money security interest in consumer goods,
15 except as otherwise provided in subdivision (b) of Section 9311
16 with respect to consumer goods that are subject to a statute or treaty
17 described in subdivision (a) of Section 9311.

18 (2) An assignment of accounts or payment intangibles which
19 does not by itself or in conjunction with other assignments to the
20 same assignee transfer a significant part of the assignor's
21 outstanding accounts or payment intangibles.

22 (3) A sale of a payment intangible.

23 (4) A sale of a promissory note.

24 (5) A security interest created by the assignment of a health
25 care insurance receivable to the provider of the health care goods
26 or services.

27 (6) A security interest arising under Section 2401 or 2505,
28 under subdivision (3) of Section 2711, or under subdivision (5) of
29 Section 10508, until the debtor obtains possession of the collateral.

30 (7) A security interest of a collecting bank arising under
31 Section 4210.

32 (8) A security interest of an issuer or nominated person arising
33 under Section 5118.

34 (9) A security interest arising in the delivery of a financial asset
35 under subdivision (c) of Section 9206.

36 (10) A security interest in investment property created by a
37 broker or securities intermediary.

38 (11) A security interest in a commodity contract or a
39 commodity account created by a commodity intermediary.



1 (12) An assignment for the benefit of all creditors of the
2 transferor and subsequent transfers by the assignee thereunder.

3 (13) A security interest created by an assignment of a beneficial
4 interest in a decedent's estate.

5 (14) A sale by an individual of an account that is a right to
6 payment of winnings in a lottery or other game of chance.

7 SEC. 4. Section 9321 of the Commercial Code is amended to
8 read:

9 9321. (a) In this section, "licensee in ordinary course of
10 business" means a person that becomes a licensee of a general
11 intangible in good faith, without knowledge that the license
12 violates the rights of another person in the general intangible, and
13 in the ordinary course from a person in the business of licensing
14 general intangibles of that kind. A person becomes a licensee in the
15 ordinary course if the license to the person comports with the usual
16 or customary practices in the kind of business in which the licensor
17 is engaged or with the licensor's own usual or customary practices.

18 (b) A licensee in ordinary course of business takes its rights
19 under a nonexclusive license free of a security interest in the
20 general intangible created by the licensor, even if the security
21 interest is perfected and the licensee knows of its existence.

22 (c) A lessee in ordinary course of business takes its leasehold
23 interest free of a security interest in the goods created by the lessor,
24 even if the security interest is perfected and the lessee knows of its
25 existence.

26 (d) This section shall remain in effect only until January 1,
27 2007, and as of that date is repealed, unless a later enacted statute,
28 that is enacted before January 1, 2007, deletes or extends that date.

29 SEC. 5. Section 9321 of the Commercial Code is amended to
30 read:

31 9321. (a) A lessee in ordinary course of business takes its
32 leasehold interest free of a security interest in the goods created by
33 the lessor, even if the security interest is perfected and the lessee
34 knows of its existence.

35 (b) This section shall become operative on January 1, 2007.

36 SEC. 6. Section 9408 of the Commercial Code is amended to
37 read:

38 9408. (a) Except as otherwise provided in subdivision (b), a
39 term in a promissory note or in an agreement between an account
40 debtor and a debtor that relates to a health care insurance

1 receivable or a general intangible, including a contract, permit,
2 license, or franchise, and which term prohibits, restricts, or
3 requires the consent of the person obligated on the promissory note
4 or the account debtor to, the assignment or transfer of, or the
5 creation, attachment, or perfection of a security interest in, the
6 promissory note, health care insurance receivable, or general
7 intangible, is ineffective to the extent that the term does, or would
8 do, either of the following:

9 (1) It would impair the creation, attachment, or perfection of a
10 security interest.

11 (2) It provides that the assignment or transfer or the creation,
12 attachment, or perfection of the security interest may give rise to
13 a default, breach, right of recoupment, claim, defense,
14 termination, right of termination, or remedy under the promissory
15 note, health care insurance receivable, or general intangible.

16 (b) Subdivision (a) applies to a security interest in a payment
17 intangible or promissory note only if the security interest arises out
18 of a sale of the payment intangible or promissory note.

19 (c) A rule of law, statute, or regulation that prohibits, restricts,
20 or requires the consent of a government, governmental body or
21 official, person obligated on a promissory note, or account debtor
22 to the assignment or transfer of, or the creation of a security interest
23 in, a promissory note, health care insurance receivable, or general
24 intangible, including a contract, permit, license, or franchise
25 between an account debtor and a debtor, is ineffective to the extent
26 that the rule of law, statute, or regulation does, or would do, either
27 of the following:

28 (1) It would impair the creation, attachment, or perfection of a
29 security interest.

30 (2) It provides that the assignment or transfer or the creation,
31 attachment, or perfection of the security interest may give rise to
32 a default, breach, right of recoupment, claim, defense,
33 termination, right of termination, or remedy under the promissory
34 note, health care insurance receivable, or general intangible.

35 (d) To the extent that a term in a promissory note or in an
36 agreement between an account debtor and a debtor that relates to
37 a health care insurance receivable or general intangible or a rule
38 of law, statute, or regulation described in subdivision (c) would be
39 effective under law other than this division but is ineffective under
40 subdivision (a) or (c), the creation, attachment, or perfection of a



1 security interest in the promissory note, health care insurance
2 receivable, or general intangible is subject to all of the following
3 rules:

4 (1) It is not enforceable against the person obligated on the
5 promissory note or the account debtor.

6 (2) It does not impose a duty or obligation on the person
7 obligated on the promissory note or the account debtor.

8 (3) It does not require the person obligated on the promissory
9 note or the account debtor to recognize the security interest, pay
10 or render performance to the secured party, or accept payment or
11 performance from the secured party.

12 (4) It does not entitle the secured party to use or assign the
13 debtor's rights under the promissory note, health care insurance
14 receivable, or general intangible, including any related
15 information or materials furnished to the debtor in the transaction
16 giving rise to the promissory note, health care insurance
17 receivable, or general intangible.

18 (5) It does not entitle the secured party to use, assign, possess,
19 or have access to any trade secrets or confidential information of
20 the person obligated on the promissory note or the account debtor.

21 (6) It does not entitle the secured party to enforce the security
22 interest in the promissory note, health care insurance receivable,
23 or general intangible.

24 (e) Subdivision (c) does not apply to an assignment or transfer
25 of, or the creation, attachment, perfection, or enforcement of a
26 security interest in, a claim or right to receive compensation for
27 injuries or sickness as described in paragraph (1) or (2) of
28 subdivision (a) of Section 104 of Title 26 of the United States
29 Code, as amended, or a claim or right to receive benefits under a
30 special needs trust as described in paragraph (4) of subdivision (d)
31 of Section 1396p of Title 42 of the United States Code, as
32 amended, to the extent that subdivision (c) is inconsistent with
33 those laws.

34 ~~SEC. 7.—Section 9521 of the Commercial Code is amended to~~
35 ~~read:~~

36 ~~9521.—(a) A filing office that accepts written records may not~~
37 ~~refuse to accept a written initial financing statement in the~~
38 ~~following form and format or in the following form and format but~~
39 ~~lacking a space identified for the disclosure of the social security~~

- 1 ~~number of an individual except for a reason set forth in subdivision~~
- 2 ~~(b) of Section 9516:~~



~~[NOTICE TO PRINTING OFFICE: Insert camera-ready copy
here for UCC Financing Statement form, as printed on pp. 123-124
of Ch. 991, Stats. 1999.]~~

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(b) ~~A filing office that accepts written records may not refuse to accept a written record in the following form and format except for a reason set forth in subdivision (b) of Section 9516:~~

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here for UCC Financing Statement Amendment form, as printed
on pp. 126-127 of Ch. 991.]~~

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2 SEC. 7. Section 9521 of the Commercial Code is amended to
3 read:
4 9521. (a) A filing office that accepts written records may not
5 refuse to accept a written initial financing statement in the
6 following form and format *or in the following form and format but*
7 *lacking a space identified for the disclosure of the social security*
8 *number of an individual* except for a reason set forth in subdivision
9 (b) of Section 9516:

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[NOTICE TO PRINTING OFFICE: Insert camera-ready copy
here for UCC Financing Statement form, as printed on pp. 123-124
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1 (b) A filing office that accepts written records may not refuse
2 to accept a written record in the following form and format *or in*
3 *the following form and format but lacking a space identified for the*
4 *disclosure of the social security number of an individual* except for
5 a reason set forth in subdivision (b) of Section 9516:



1 [NOTICE TO PRINTING OFFICE: Insert camera-ready copy
2 here for UCC Financing Statement Amendment form, as printed
3 on pp. 126-127 of Ch. 991.]
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1 SEC. 8. Section 12194 of the Government Code is amended
2 to read:

3 12194. The fees for filing liens pursuant to the Code of Civil
4 Procedure and for filing financing statements and other Uniform
5 Commercial Code filings are the following:

6 (a) Ten dollars (\$10) if the record is communicated in writing
7 and consists of one or two pages.

8 (b) Twenty dollars (\$20) if the record is communicated in
9 writing and consists of more than two pages.

10 (c) Five dollars (\$5) if the record is communicated by another
11 medium authorized by a rule adopted by the office of the Secretary
12 of State.

13 (d) Two dollars (\$2) if the record is a state tax lien certificate
14 of release.

15 The Secretary of State shall collect a special handling fee for
16 filing records in the manner provided in Section 12182.

17 Financing statements and other Uniform Commercial Code
18 filings shall be submitted on national standard forms as approved
19 by the office of the Secretary of State or on those national forms
20 but lacking a space identified for the disclosure of the social
21 security number of an individual.

22 SEC. 9. Section 5907 of the Vehicle Code is amended to read:

23 5907. A secured party who holds a security interest in a
24 registered vehicle that constitutes inventory as defined in the
25 Commercial Code, who has possession of the certificate of
26 ownership issued for that vehicle, if the certificate of ownership
27 has been issued, need not make application for a transfer of
28 registration and the Commercial Code shall exclusively control
29 the validity and perfection of that security interest. This section
30 does not apply to the extent that subdivisions (a) to (c), inclusive,
31 of Section 9311 of the Commercial Code apply to a security
32 interest, because the transaction is not described in subdivision (d)
33 of Section 9311 of that code.

